

Senate File 481 - Introduced

SENATE FILE 481

BY ZAUN

A BILL FOR

1 An Act relating to state taxes by eliminating the individual
2 income tax, increasing the sales and use tax rates, making
3 conforming changes, and including effective date and
4 applicability provisions.

5 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

DIVISION I

REPEAL OF THE INDIVIDUAL INCOME TAX

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Section 1. Section 15.293A, subsection 1, paragraph a, Code 2015, is amended to read as follows:

a. A redevelopment tax credit shall be allowed against the taxes imposed in chapter 422, divisions ~~II~~, ~~III~~, and V, and in chapter 432, and against the moneys and credits tax imposed in section 533.329, for a portion of a taxpayer's equity investment, as provided in subsection 3, in a qualifying redevelopment project.

Sec. 2. Section 15.293A, subsection 1, paragraph b, Code 2015, is amended by striking the paragraph.

Sec. 3. Section 15.293A, subsection 2, paragraphs c and f, Code 2015, are amended to read as follows:

c. The tax credit certificate, unless rescinded by the authority, shall be accepted by the department of revenue as payment for taxes imposed pursuant to chapter 422, divisions ~~II~~, ~~III~~, and V, and in chapter 432, and for the moneys and credits tax imposed in section 533.329, subject to any conditions or restrictions placed by the authority upon the face of the tax credit certificate and subject to the limitations of this section.

f. A tax credit shall not be claimed by a transferee under this section until a replacement tax credit certificate identifying the transferee as the proper holder has been issued. The transferee may use the amount of the tax credit transferred against the taxes imposed in chapter 422, divisions ~~II~~, ~~III~~, and V, and in chapter 432, and against the moneys and credits tax imposed in section 533.329, for any tax year the original transferor could have claimed the tax credit. Any consideration received for the transfer of the tax credit shall not be included as income under chapter 422, divisions ~~II~~, ~~III~~, and V. Any consideration paid for the transfer of the tax credit shall not be deducted from income under chapter 422, divisions ~~II~~, ~~III~~, and V.

1 Sec. 4. Section 15.293A, subsection 4, Code 2015, is amended
2 to read as follows:

3 4. For purposes of ~~individual and~~ corporate income taxes and
4 the franchise tax, the increase in the basis of the redeveloped
5 property that would otherwise result from the qualified
6 redevelopment costs shall be reduced by the amount of the
7 credit computed under this part.

8 Sec. 5. Section 15.333, subsection 1, Code 2015, is amended
9 to read as follows:

10 1. An eligible business may claim a tax credit equal to a
11 percentage of the new investment directly related to new jobs
12 created or retained by the project. The tax credit shall be
13 amortized equally over five calendar years. The tax credit
14 shall be allowed against taxes imposed under chapter 422,
15 division ~~II, III, or V~~, and against the moneys and credits tax
16 imposed in section 533.329. ~~If the business is a partnership,
17 S corporation, limited liability company, cooperative organized
18 under chapter 501 and filing as a partnership for federal tax
19 purposes, or estate or trust electing to have the income taxed
20 directly to the individual, an individual may claim the tax
21 credit allowed. The amount claimed by the individual shall
22 be based upon the pro rata share of the individual's earnings
23 of the partnership, S corporation, limited liability company,
24 cooperative organized under chapter 501 and filing as a
25 partnership for federal tax purposes, or estate or trust. The
26 percentage shall be determined as provided in section 15.335A.
27 Any tax credit in excess of the tax liability for the tax year
28 may be credited to the tax liability for the following seven
29 years or until depleted, whichever occurs first.~~

30 Sec. 6. Section 15.335, subsection 6, Code 2015, is amended
31 by striking the subsection.

32 Sec. 7. Section 15.355, subsection 3, paragraph b, Code
33 2015, is amended to read as follows:

34 b. The tax credit shall be allowed against the taxes imposed
35 in chapter 422, divisions ~~II, III, and V~~, and in chapter 432,

1 and against the moneys and credits tax imposed in section
2 533.329.

3 Sec. 8. Section 15.355, subsection 3, paragraph c, Code
4 2015, is amended by striking the paragraph.

5 Sec. 9. Section 15.355, subsection 3, paragraph e,
6 subparagraphs (3) and (6), Code 2015, are amended to read as
7 follows:

8 (3) The tax credit certificate, unless rescinded by the
9 authority, shall be accepted by the department of revenue as
10 payment for taxes imposed pursuant to chapter 422, divisions
11 ~~II~~, ~~III~~, and V, and in chapter 432, and for the moneys and
12 credits tax imposed in section 533.329, subject to any
13 conditions or restrictions placed by the authority upon
14 the face of the tax credit certificate and subject to the
15 limitations of this program.

16 (6) A tax credit shall not be claimed by a transferee
17 under this section until a replacement tax credit certificate
18 identifying the transferee as the proper holder has been
19 issued. The transferee may use the amount of the tax credit
20 transferred against the taxes imposed in chapter 422, divisions
21 ~~II~~, ~~III~~, and V, and in chapter 432, and against the moneys and
22 credits tax imposed in section 533.329, for any tax year the
23 original transferor could have claimed the tax credit. Any
24 consideration received for the transfer of the tax credit shall
25 not be included as income under chapter 422, divisions ~~II~~, ~~III~~,
26 and V. Any consideration paid for the transfer of the tax
27 credit shall not be deducted from income under chapter 422,
28 divisions ~~II~~, ~~III~~ and V.

29 Sec. 10. Section 15.355, subsection 3, paragraph f, Code
30 2015, is amended to read as follows:

31 *f.* For purposes of the ~~individual and~~ corporate income
32 taxes and the franchise tax, the increase in the basis of the
33 property that would otherwise result from the qualifying new
34 investment shall be reduced by the amount of the tax credit
35 computed under this subsection.

1 Sec. 11. Section 15E.43, subsection 1, paragraph a, Code
2 2015, is amended to read as follows:

3 a. For tax years beginning on or after January 1, 2002,
4 a tax credit shall be allowed against the taxes imposed in
5 chapter 422, divisions ~~II~~, ~~III~~, and V, and in chapter 432, and
6 against the moneys and credits tax imposed in section 533.329,
7 for a portion of a taxpayer's equity investment, as provided
8 in subsection 2, in a qualifying business or a community-based
9 seed capital fund. ~~An individual may claim a tax credit~~
10 ~~under this paragraph of a partnership, limited liability~~
11 ~~company, S corporation, estate, or trust electing to have~~
12 ~~income taxed directly to the individual. The amount claimed~~
13 ~~by the individual shall be based upon the pro rata share of the~~
14 ~~individual's earnings from the partnership, limited liability~~
15 ~~company, S corporation, estate, or trust.~~

16 Sec. 12. Section 15E.43, subsection 1, paragraph c, Code
17 2015, is amended by striking the paragraph.

18 Sec. 13. Section 15E.44, subsection 4, Code 2015, is amended
19 to read as follows:

20 4. After verifying the eligibility of a qualifying
21 business, the authority shall issue a tax credit certificate
22 to be included with the equity investor's tax return. The tax
23 credit certificate shall contain the taxpayer's name, address,
24 tax identification number, the amount of credit, the name of
25 the qualifying business, and other information required by the
26 department of revenue. The tax credit certificate, unless
27 rescinded by the authority, shall be accepted by the department
28 of revenue as payment for taxes imposed pursuant to chapter
29 422, divisions ~~II~~, ~~III~~, and V, and in chapter 432, and for the
30 moneys and credits tax imposed in section 533.329, subject to
31 any conditions or restrictions placed by the authority upon
32 the face of the tax credit certificate and subject to the
33 limitations of section 15E.43.

34 Sec. 14. Section 15E.45, subsection 4, Code 2015, is amended
35 to read as follows:

1 4. After verifying the eligibility of the community-based
2 seed capital fund, the authority shall issue a tax credit
3 certificate to be included with the taxpayer's tax return.
4 The tax credit certificate shall contain the taxpayer's name,
5 address, tax identification number, the amount of the tax
6 credit, the name of the community-based seed capital fund, and
7 other information required by the department of revenue. The
8 tax credit certificate, unless rescinded by the authority,
9 shall be accepted by the department of revenue or a local
10 taxing district, as applicable, as payment for taxes imposed
11 pursuant to chapter 422, divisions II, III, and V, and chapter
12 432, and as payment for the moneys and credits tax imposed
13 pursuant to section 533.329, subject to any conditions or
14 restrictions placed by the authority on the face of the tax
15 credit certificate and subject to the limitations of section
16 15E.43.

17 Sec. 15. Section 15E.52, subsection 2, paragraph a, Code
18 2015, is amended to read as follows:

19 a. A tax credit shall be allowed against the taxes imposed
20 in chapter 422, divisions II, III, and V, and in chapter 432,
21 and against the moneys and credits tax imposed in section
22 533.329, for a portion of a taxpayer's equity investment in the
23 form of cash in an innovation fund.

24 Sec. 16. Section 15E.52, subsection 2, paragraph b, Code
25 2015, is amended by striking the paragraph.

26 Sec. 17. Section 15E.62, subsection 8, Code 2015, is amended
27 to read as follows:

28 8. "*Tax credit*" means a contingent tax credit issued
29 pursuant to section 15E.66 that is available against tax
30 liabilities imposed by chapter 422, divisions II, III, and
31 V, and by chapter 432 and against the moneys and credits tax
32 imposed by section 533.329.

33 Sec. 18. Section 15E.66, subsection 1, Code 2015, is amended
34 to read as follows:

35 1. The board may issue certificates and related tax credits

1 to designated investors which, if redeemed for the maximum
 2 possible amount, shall not exceed a total aggregate of sixty
 3 million dollars of tax credits. The certificates shall be
 4 issued contemporaneously with a commitment to invest in the
 5 Iowa fund of funds by a designated investor. A certificate
 6 issued by the board shall have a specific maturity date or
 7 dates designated by the board and shall be redeemable only in
 8 accordance with the contingencies reflected on the certificate
 9 or incorporated therein by reference. A certificate and the
 10 related tax credit shall be transferable by the designated
 11 investor. A tax credit shall not be claimed or redeemed except
 12 by a designated investor or transferee in accordance with the
 13 terms of a certificate from the board. A tax credit shall not
 14 be claimed for a tax year that begins earlier than the maturity
 15 date or dates stated on the certificate. ~~An individual may~~
 16 ~~claim the credit of a partnership, limited liability company,~~
 17 ~~S corporation, estate, or trust electing to have the income~~
 18 ~~taxed directly to the individual. The amount claimed by the~~
 19 ~~individual shall be based upon the pro rata share of the~~
 20 ~~individual's earnings from the partnership, limited liability~~
 21 ~~company, S corporation, estate, or trust. Any tax credit in~~
 22 excess of the taxpayer's tax liability for the tax year may be
 23 credited to the tax liability for the following seven years, or
 24 until depleted, whichever is earlier.

25 Sec. 19. Section 15E.305, subsection 1, Code 2015, is
 26 amended to read as follows:

27 1. For tax years beginning on or after January 1, 2003,
 28 a tax credit shall be allowed against the taxes imposed in
 29 chapter 422, divisions II, III, and V, and in chapter 432, and
 30 against the moneys and credits tax imposed in section 533.329
 31 equal to twenty-five percent of a taxpayer's endowment gift to
 32 an endow Iowa qualified community foundation. ~~An individual~~
 33 ~~may claim a tax credit under this section of a partnership,~~
 34 ~~limited liability company, S corporation, estate, or trust~~
 35 ~~electing to have income taxed directly to the individual. The~~

1 ~~amount claimed by the individual shall be based upon the pro~~
2 ~~rata share of the individual's earnings from the partnership,~~
3 ~~limited liability company, S corporation, estate, or trust. A~~
4 tax credit shall be allowed only for an endowment gift made to
5 an endow Iowa qualified community foundation for a permanent
6 endowment fund established to benefit a charitable cause in
7 this state. The amount of the endowment gift for which the
8 tax credit is claimed shall not be deductible in determining
9 taxable income for state income tax purposes. Any tax credit
10 in excess of the taxpayer's tax liability for the tax year may
11 be credited to the tax liability for the following five years
12 or until depleted, whichever occurs first. A tax credit shall
13 not be carried back to a tax year prior to the tax year in which
14 the taxpayer claims the tax credit.

15 Sec. 20. Section 16.64, subsection 2, Code 2015, is amended
16 to read as follows:

17 2. Bonds and notes issued by the authority for purposes of
18 financing the beginning farmer loan program provided in section
19 16.75 are exempt from taxation by the state, and interest
20 earned on the bonds and notes is deductible in determining
21 net income for purposes of the state ~~individual and~~ corporate
22 income tax under ~~divisions II and~~ division III of chapter 422.

23 Sec. 21. Section 16.80, subsection 1, Code 2015, is amended
24 to read as follows:

25 1. An agricultural assets transfer tax credit is allowed
26 under this section. The tax credit is allowed against the
27 taxes imposed in chapter 422, ~~division II, as provided in~~
28 ~~section 422.11M, and in chapter 422,~~ division III, as provided
29 in section 422.33, to facilitate the transfer of agricultural
30 assets from a taxpayer to a qualified beginning farmer.

31 Sec. 22. Section 16.80, subsection 3, Code 2015, is amended
32 by striking the subsection.

33 Sec. 23. Section 16.80, subsection 6, Code 2015, is amended
34 to read as follows:

35 6. A tax credit in excess of the taxpayer's liability

1 for the tax year may be credited to the tax liability for
2 the following ten tax years or until depleted, whichever is
3 earlier. A tax credit shall not be carried back to a tax year
4 prior to the tax year in which the taxpayer redeems the tax
5 credit. ~~A tax credit shall not be transferable to any other~~
6 ~~person other than the taxpayer's estate or trust upon the~~
7 ~~taxpayer's death.~~

8 Sec. 24. Section 16.81, subsection 1, Code 2015, is amended
9 to read as follows:

10 1. A custom farming contract tax credit is allowed under
11 this section. The tax credit is allowed against the taxes
12 imposed in chapter 422, ~~division II, as provided in section~~
13 ~~422.11M, and in chapter 422, division III, as provided in~~
14 section 422.33, to encourage taxpayers who are considering
15 custom farming agricultural land located in this state to
16 negotiate with qualified beginning farmers.

17 Sec. 25. Section 16.81, subsection 3, Code 2015, is amended
18 by striking the subsection.

19 Sec. 26. Section 16.81, subsection 9, Code 2015, is amended
20 to read as follows:

21 9. A custom farming contract tax credit in excess of the
22 taxpayer's liability for the tax year may be credited to
23 the tax liability for the following ten tax years or until
24 depleted, whichever is earlier. A tax credit shall not be
25 carried back to a tax year prior to the tax year in which the
26 taxpayer redeems the tax credit. ~~A tax credit shall not be~~
27 ~~transferable to any other person other than the taxpayer's~~
28 ~~estate or trust upon the taxpayer's death.~~

29 Sec. 27. Section 28A.24, Code 2015, is amended to read as
30 follows:

31 **28A.24 Exemption from taxation.**

32 Since an authority is performing essential governmental
33 functions, an authority is not required to pay any taxes or
34 assessments of any kind or nature upon any property required
35 or used by it for its purposes, or any rates, fees, rentals,

1 receipts, or incomes at any time received by it, and the
2 bonds issued by an authority, their transfer, and the income,
3 including any profits made on the sale of the bonds, is
4 deductible in determining net income for the purposes of the
5 state ~~individual and~~ corporate income tax under chapter 422,
6 ~~divisions II and~~ division III, and shall not be taxed by any
7 political subdivision of this state.

8 Sec. 28. Section 35A.13, subsection 2, paragraph b, Code
9 2015, is amended to read as follows:

10 b. Moneys credited to the fund pursuant to an income tax
11 checkoff provided in chapter 422, division II, Code 2015, if
12 applicable.

13 Sec. 29. Section 68A.102, subsection 21, Code 2015, is
14 amended by striking the subsection.

15 Sec. 30. Section 85.61, subsection 6, paragraph b, Code
16 2015, is amended by striking the paragraph.

17 Sec. 31. Section 100B.13, subsection 2, paragraph a, Code
18 2015, is amended to read as follows:

19 a. Moneys credited to the fund pursuant to an income tax
20 checkoff provided in chapter 422, division II, Code 2015, if
21 applicable.

22 Sec. 32. Section 190B.103, Code 2015, is amended to read as
23 follows:

24 **190B.103 From farm to food donation tax credit.**

25 A from farm to food donation tax credit is allowed against
26 the taxes imposed in chapter 422, ~~divisions II and~~ division
27 III, as provided in this chapter.

28 Sec. 33. Section 235A.2, subsection 1, Code 2015, is amended
29 to read as follows:

30 1. A child abuse prevention program fund is created in
31 the state treasury under the control of the department of
32 human services. The fund is composed of moneys appropriated
33 or available to and obtained or accepted by the treasurer of
34 state for deposit in the fund. The fund shall include moneys
35 transferred to the fund pursuant to an income tax checkoff

1 provided in chapter 422, division II, Code 2015, if applicable.
2 All interest earned on moneys in the fund shall be credited to
3 and remain in the fund. Section 8.33 does not apply to moneys
4 in the fund.

5 Sec. 34. Section 257.19, Code 2015, is amended to read as
6 follows:

7 **257.19 Instructional support funding.**

8 1. The additional funding for the instructional support
9 program for a budget year is limited to an amount not exceeding
10 ten percent of the total of regular program district cost
11 for the budget year and moneys received under section 257.14
12 as a budget adjustment for the budget year. Moneys received
13 by a district for the instructional support program are
14 miscellaneous income and may be used for any general fund
15 purpose. However, moneys received by a district for the
16 instructional support program shall not be used as, or in a
17 manner which has the effect of, supplanting funds authorized to
18 be received under sections 257.41, 257.46, 298.2, and 298.4,
19 or to cover any deficiencies in funding for special education
20 instructional services resulting from the application of the
21 special education weighting plan under section 256B.9.

22 2. Certification of a board's intent to participate for
23 a budget year, the method of funding, and the amount to be
24 raised shall be made to the department of management not later
25 than April 15 of the base year. Funding for the instructional
26 support program shall be obtained from instructional support
27 state aid and from local funding using ~~either an instructional~~
28 ~~support property tax or a combination of an instructional~~
29 ~~support property tax and an instructional support income~~
30 ~~surtax.~~

31 ~~The board of directors shall determine whether the~~
32 ~~instructional support property tax or the combination of the~~
33 ~~instructional support property tax and instructional support~~
34 ~~income surtax shall be used for the local funding. Subject to~~
35 ~~the limitation specified in section 298.14, if the board elects~~

~~1 to use the combination of the instructional support property
2 tax and instructional support income surtax, for each budget
3 year the board shall determine the percent of income surtax
4 that will be imposed, expressed as full percentage points, not
5 to exceed twenty percent.~~

6 Sec. 35. Section 257.21, Code 2015, is amended to read as
7 follows:

8 **257.21 Computation of instructional support amount.**

9 ~~1. The department of management shall establish the amount
10 of instructional support property tax to be levied and the
11 amount of instructional support income surtax to be imposed
12 by a district in accordance with the decision of the board
13 under section 257.19 for each school year for which the
14 instructional support program is authorized. The department
15 of management shall determine these amounts based upon the
16 most recent figures available for the district's valuation of
17 taxable property, individual state income tax paid, and budget
18 enrollment in the district, and shall certify to the district's
19 county auditor the amount of instructional support property
20 tax, and to the director of revenue the amount of instructional
21 support income surtax to be imposed if an instructional support
22 income surtax is to be imposed levied.~~

23 ~~2. The instructional support income surtax shall be imposed
24 on the state individual income tax for the calendar year during
25 which the school's budget year begins, or for a taxpayer's
26 fiscal year ending during the second half of that calendar year
27 and after the date the board adopts a resolution to participate
28 in the program or the first half of the succeeding calendar
29 year, and shall be imposed on all individuals residing in the
30 school district on the last day of the applicable tax year.
31 As used in this section, "state individual income tax" means
32 the taxes computed under section 422.5, less the amounts of
33 nonrefundable credits allowed under chapter 422, division II,
34 except for the Iowa taxpayers trust fund tax credit allowed
35 under section 422.11E.~~

1 Sec. 36. Section 257.29, subsections 3 and 4, Code 2015, are
2 amended to read as follows:

3 3. The educational improvement program shall be funded
4 by either an educational improvement property tax ~~or by a~~
5 ~~combination of an educational improvement property tax and an~~
6 ~~educational improvement income surtax. The method of raising~~
7 ~~the educational improvement moneys shall be determined by the~~
8 ~~board. Subject to the limitation in section 298.14, if the~~
9 ~~board uses a combination of an educational improvement property~~
10 ~~tax and an educational improvement income surtax, the board~~
11 ~~shall determine the percent of income surtax to be imposed,~~
12 ~~expressed as full percentage points, not to exceed twenty~~
13 ~~percent.~~

14 4. The department of management shall establish the amount
15 of the educational improvement property tax to be levied ~~or~~
16 ~~the amount of the combination of the educational improvement~~
17 ~~property tax to be levied and the amount of the school district~~
18 ~~income surtax to be imposed~~ for each school year that the
19 educational improvement amount is authorized. The educational
20 improvement property tax ~~and income surtax, if an income~~
21 ~~surtax is imposed, shall be levied and imposed, collected,~~
22 and paid to the school district in the manner provided for
23 the instructional support program in ~~sections~~ section 257.21
24 ~~through 257.26~~. Moneys received by a school district under the
25 educational improvement program are miscellaneous income.

26 Sec. 37. Section 279.63, subsection 2, paragraph a, Code
27 2015, is amended to read as follows:

28 a. All property tax levies, ~~income surtaxes,~~ and local
29 option sales taxes in place in the school district, listed by
30 type of levy, rate, amount, duration, and notification of the
31 maximum rate and amount limitations permitted by statute.

32 Sec. 38. Section 298.2, subsections 1 and 4, Code 2015, are
33 amended to read as follows:

34 1. A physical plant and equipment levy of not exceeding
35 one dollar and sixty-seven cents per thousand dollars of

1 assessed valuation in the district is established except as
 2 otherwise provided in this subsection. The physical plant
 3 and equipment levy consists of the regular physical plant
 4 and equipment levy of not exceeding thirty-three cents per
 5 thousand dollars of assessed valuation in the district and
 6 a voter-approved physical plant and equipment levy of not
 7 exceeding one dollar and thirty-four cents per thousand
 8 dollars of assessed valuation in the district. ~~However, the~~
 9 ~~voter-approved physical plant and equipment levy may consist~~
 10 ~~of a combination of a physical plant and equipment property~~
 11 ~~tax levy and a physical plant and equipment income surtax as~~
 12 ~~provided in subsection 4 with the maximum amount levied and~~
 13 ~~imposed limited to an amount that could be raised by a one~~
 14 ~~dollar and thirty-four cent property tax levy.~~

15 4. a. The board may on its own motion, and upon the
 16 written request of not less than one hundred eligible electors
 17 or thirty percent of the number of eligible electors voting
 18 at the last regular school election, whichever is greater,
 19 shall, direct the county commissioner of elections to provide
 20 for submitting the proposition of levying the voter-approved
 21 physical plant and equipment levy for a period of time
 22 authorized by the voters at the election, not to exceed ten
 23 years. The election shall be held on a date specified in
 24 section 39.2, subsection 4, paragraph "c". The proposition is
 25 adopted if a majority of those voting on the proposition at the
 26 election approves it. The voter-approved physical plant and
 27 equipment levy shall be funded either by a physical plant and
 28 equipment property tax ~~or by a combination of a physical plant~~
 29 ~~and equipment property tax and a physical plant and equipment~~
 30 ~~income surtax, as determined by the board. However, if the~~
 31 ~~board intends to enter into a rental or lease arrangement under~~
 32 ~~section 279.26, or intends to enter into a loan agreement under~~
 33 ~~section 297.36, only a property tax shall be levied for those~~
 34 ~~purposes. Subject to the limitations of section 298.14, if~~
 35 ~~the board uses a combination of a physical plant and equipment~~

~~1 property tax and a physical plant and equipment surtax, for
2 each fiscal year the board shall determine the percent of
3 income surtax to be imposed expressed as full percentage
4 points, not to exceed twenty percent.~~

~~5 b. If a combination of a property tax and income surtax
6 is used, by April 15 of the previous school year, the board
7 shall certify the percent of the income surtax to be imposed
8 and the amount to be raised to the department of management
9 and the department of management shall establish the rate of
10 the property tax and income surtax for the school year. The
11 physical plant and equipment property tax and income surtax
12 shall be levied or imposed, collected, and paid to the school
13 district in the manner provided for the instructional support
14 program in sections section 257.21 through 257.26.~~

15 Sec. 39. Section 404A.2, subsection 2, Code 2015, is amended
16 to read as follows:

17 2. The tax credit shall be allowed against the taxes imposed
18 in chapter 422, divisions II, III, and V, and in chapter
19 432. ~~An individual may claim a tax credit under this section
20 of a partnership, limited liability company, S corporation,
21 estate, or trust electing to have income taxed directly to the
22 individual. For an individual claiming a tax credit of an
23 estate or trust, the amount claimed by the individual shall be
24 based upon the pro rata share of the individual's earnings from
25 the estate or trust. For an individual claiming a tax credit
26 of a partnership, limited liability company, or S corporation,
27 the amount claimed by the partner, member, or shareholder,
28 respectively, shall be based upon the amounts designated by
29 the eligible partnership, S corporation, or limited liability
30 company, as applicable.~~

31 Sec. 40. Section 404A.2, subsection 4, paragraph c, Code
32 2015, is amended to read as follows:

33 c. The tax credit certificate, unless rescinded by the
34 department, shall be accepted by the department of revenue
35 as payment for taxes imposed in chapter 422, divisions II,

1 III, and V, and in chapter 432, subject to any conditions or
2 restrictions placed by the department or the department of
3 revenue upon the face of the tax credit certificate and subject
4 to the limitations of this program.

5 Sec. 41. Section 404A.2, subsection 5, paragraph c, Code
6 2015, is amended to read as follows:

7 c. A tax credit shall not be claimed by a transferee
8 under this section until a replacement tax credit certificate
9 identifying the transferee as the proper holder has been
10 issued. The transferee may use the amount of the tax credit
11 transferred against the taxes imposed in chapter 422, divisions
12 II, III, and V, and in chapter 432, for any tax year the
13 original transferor could have claimed the tax credit. Any
14 consideration received for the transfer of the tax credit shall
15 not be included as income under chapter 422, divisions II, III,
16 and V. Any consideration paid for the transfer of the tax
17 credit shall not be deducted from income under chapter 422,
18 divisions II, III, and V.

19 Sec. 42. Section 422.1, subsection 2, Code 2015, is amended
20 to read as follows:

21 2. Division II ~~Personal net income tax~~ Provisions
22 related to the business tax on corporations.

23 Sec. 43. Section 422.11L, subsection 1, unnumbered
24 paragraph 1, Code 2015, is amended to read as follows:

25 The taxes imposed under this division, ~~less the credits~~
26 ~~allowed under section 422.12, III~~ shall be reduced by a solar
27 energy system tax credit equal to the sum of the following:

28 Sec. 44. Section 422.11L, subsection 3, paragraph a, Code
29 2015, is amended by striking the paragraph.

30 Sec. 45. Section 422.11N, subsection 3, unnumbered
31 paragraph 1, Code 2015, is amended to read as follows:

32 The taxes imposed under this division, ~~less the credits~~
33 ~~allowed under section 422.12, III~~ shall be reduced by an
34 ethanol promotion tax credit for each tax year that the
35 taxpayer is eligible to claim the tax credit under this

1 section. In order to be eligible, all of the following must
2 apply:

3 Sec. 46. Section 422.11N, subsection 9, Code 2015, is
4 amended by striking the subsection.

5 Sec. 47. Section 422.11O, subsection 2, unnumbered
6 paragraph 1, Code 2015, is amended to read as follows:

7 The taxes imposed under ~~this division, less the credits~~
8 ~~allowed under section 422.12, III~~ shall be reduced by an
9 E-85 gasoline promotion tax credit for each tax year that
10 the taxpayer is eligible to claim the tax credit under this
11 subsection.

12 Sec. 48. Section 422.11O, subsection 7, Code 2015, is
13 amended by striking the subsection.

14 Sec. 49. Section 422.11P, subsection 3, unnumbered
15 paragraph 1, Code 2015, is amended to read as follows:

16 The taxes imposed under ~~this division, less the credits~~
17 ~~allowed under section 422.12, III~~ shall be reduced by a
18 biodiesel blended fuel tax credit for each tax year that
19 the taxpayer is eligible to claim a tax credit under this
20 subsection.

21 Sec. 50. Section 422.11P, subsection 7, Code 2015, is
22 amended by striking the subsection.

23 Sec. 51. Section 422.11S, subsection 1, Code 2015, is
24 amended to read as follows:

25 1. The taxes imposed under ~~this division, less the credits~~
26 ~~allowed under section 422.12, III~~ shall be reduced by a
27 school tuition organization tax credit equal to sixty-five
28 percent of the amount of the voluntary cash or noncash
29 contributions made by the taxpayer during the tax year to a
30 school tuition organization, subject to the total dollar value
31 of the organization's tax credit certificates as computed in
32 subsection 8. The tax credit shall be claimed by use of a tax
33 credit certificate as provided in subsection 7.

34 Sec. 52. Section 422.11S, subsections 4 and 5, Code 2015,
35 are amended by striking the subsections.

1 Sec. 53. Section 422.11S, subsection 8, paragraph a,
2 subparagraph (2), Code 2015, is amended to read as follows:

3 (2) *"Total approved tax credits"* means ~~for the tax year~~
4 ~~beginning in the 2006 calendar year, two million five hundred~~
5 ~~thousand dollars, for the tax year beginning in the 2007~~
6 ~~calendar year, five million dollars, for tax years beginning~~
7 ~~on or after January 1, 2008, but before January 1, 2012, seven~~
8 ~~million five hundred thousand dollars, for tax years beginning~~
9 ~~on or after January 1, 2012, but before January 1, 2014, eight~~
10 ~~million seven hundred fifty thousand dollars, and for tax years~~
11 ~~beginning on or after January 1, 2014, twelve~~ for tax years
12 beginning on or after January 1, 2015, three million dollars.

13 Sec. 54. Section 422.11Y, subsection 3, unnumbered
14 paragraph 1, Code 2015, is amended to read as follows:

15 The taxes imposed under this division, ~~less the credits~~
16 ~~allowed under section 422.12, III~~ shall be reduced by the
17 amount of the E-15 plus gasoline promotion tax credit for each
18 tax year that the taxpayer is eligible to claim a tax credit
19 under this subsection.

20 Sec. 55. Section 422.11Y, subsection 8, Code 2015, is
21 amended by striking the subsection.

22 Sec. 56. Section 422.15, subsections 2 and 3, Code 2015, are
23 amended by striking the subsections.

24 Sec. 57. Section 422.15, subsection 4, Code 2015, is amended
25 to read as follows:

26 4. Notwithstanding ~~subsections~~ subsection 1, 2, ~~and 3,~~ or
27 any other provision of this chapter, withholding of income
28 tax and any reporting requirement shall not be imposed upon
29 a person, corporation, or withholding agent or any payor of
30 deferred compensation, pensions, or annuities with regard to
31 such payments made to a nonresident of the state.

32 Sec. 58. Section 422.21, Code 2015, is amended by striking
33 the section and inserting in lieu thereof the following:

34 **422.21 Form and time of return.**

35 Returns shall be in the form the director prescribes, and

1 shall be filed with the department on or before the last day
 2 of the fourth month after the expiration of the tax year.
 3 However, cooperative associations as defined in section 6072(d)
 4 of the Internal Revenue Code shall file their returns on or
 5 before the fifteenth day of the ninth month following the
 6 close of the taxable year and nonprofit corporations subject
 7 to the unrelated business income tax imposed by section
 8 422.33, subsection 1A, shall file their returns on or before
 9 the fifteenth day of the fifth month following the close of
 10 the taxable year. If, under the Internal Revenue Code, a
 11 corporation is required to file a return covering a tax period
 12 of less than twelve months, the state return shall be for the
 13 same period and is due forty-five days after the due date of
 14 the federal tax return, excluding any extension of time to
 15 file. In case of sickness, absence, or other disability, or
 16 if good cause exists, the director may allow further time for
 17 filing returns. The director shall cause to be prepared blank
 18 forms for the returns and shall cause them to be distributed
 19 throughout the state and to be furnished upon application,
 20 but failure to receive or secure the form does not relieve
 21 the taxpayer from the obligation of making a return that is
 22 required. The department may as far as consistent with the
 23 Code draft income tax forms to conform to the income tax
 24 forms of the internal revenue department of the United States
 25 government.

26 Sec. 59. Section 422.22, Code 2015, is amended to read as
 27 follows:

28 **422.22 Supplementary returns.**

29 If the director shall be of the opinion that any taxpayer
 30 required under ~~this~~ division III to file a return has failed
 31 to file such a return or to include in a return filed, either
 32 intentionally or through error, items of taxable income,
 33 the director may require from such taxpayer a return or
 34 supplementary return in such form as the director shall
 35 prescribe, of all the items of income which the taxpayer

1 received during the year for which the return is made, whether
2 or not taxable under the provisions of ~~this~~ division III. If
3 from a supplementary return, or otherwise, the director finds
4 that any items of income, taxable under ~~this~~ division III, have
5 been omitted from the original return, the director may require
6 the items so omitted to be added to the original return. Such
7 supplementary return and the correction of the original return
8 shall not relieve the taxpayer from any of the penalties to
9 which the taxpayer may be liable under any provisions of ~~this~~
10 division III, whether or not the director required a return or
11 a supplementary return under this section.

12 Sec. 60. Section 422.32, Code 2015, is amended to read as
13 follows:

14 **422.32 Definitions.**

15 ~~1.~~ For the purpose of this division and unless otherwise
16 required by the context:

17 ~~a.~~ 1. "*Affiliated group*" means a group of corporations as
18 defined in section 1504(a) of the Internal Revenue Code.

19 ~~b.~~ 2. a. "*Business income*" means income arising from
20 transactions and activity in the regular course of the
21 taxpayer's trade or business; or income from tangible and
22 intangible property if the acquisition, management, and
23 disposition of the property constitute integral parts of the
24 taxpayer's regular trade or business operations; or gain or
25 loss resulting from the sale, exchange, or other disposition of
26 real property or of tangible or intangible personal property,
27 if the property while owned by the taxpayer was operationally
28 related to the taxpayer's trade or business carried on in
29 Iowa or operationally related to sources within Iowa, or the
30 property was operationally related to sources outside this
31 state and to the taxpayer's trade or business carried on in
32 Iowa; or gain or loss resulting from the sale, exchange, or
33 other disposition of stock in another corporation if the
34 activities of the other corporation were operationally related
35 to the taxpayer's trade or business carried on in Iowa while

1 the stock was owned by the taxpayer. A taxpayer may have more
2 than one regular trade or business in determining whether
3 income is business income.

4 ~~(1)~~ b. It is the intent of the general assembly to treat as
5 apportionable business income all income that may be treated
6 as apportionable business income under the Constitution of the
7 United States.

8 ~~(2)~~ c. The filing of an Iowa income tax return on a
9 combined report basis is neither allowed nor required by this
10 paragraph ~~"b"~~ subsection.

11 ~~e.~~ 3. "*Commercial domicile*" means the principal place from
12 which the trade or business of the taxpayer is directed or
13 managed.

14 ~~d.~~ 4. "*Corporation*" includes joint stock companies, and
15 associations organized for pecuniary profit, and partnerships
16 and limited liability companies taxed as corporations under the
17 Internal Revenue Code.

18 ~~e.~~ 5. "*Domestic corporation*" means any corporation
19 organized under the laws of this state.

20 6. "*Fiduciary*" means a guardian, trustee, executor,
21 administrator, receiver, conservator, or any person, whether
22 individual or corporate, acting in any fiduciary capacity for
23 any person, trust, or estate.

24 7. "*Fiscal year*" means an accounting period of twelve
25 months, ending on the last day of any month other than
26 December.

27 ~~f.~~ 8. "*Foreign corporation*" means any corporation other
28 than a domestic corporation.

29 9. "*Foreign country*" means any jurisdiction other than one
30 embraced within the United States. The words "*United States*",
31 when used in a geographical sense, include the states, the
32 District of Columbia, and the possessions of the United States.

33 ~~g.~~ 10. "*Income from sources within this state*" means income
34 from real, tangible, or intangible property located or having
35 a situs in this state.

1 11. "Income year" means the calendar year or the fiscal year
2 upon the basis of which the net income is computed under this
3 division.

4 12. "Individual" means a natural person.

5 ~~h.~~ 13. "Internal Revenue Code" means the Internal Revenue
6 Code of 1954, prior to the date of its redesignation as the
7 Internal Revenue Code of 1986 by the Tax Reform Act of 1986,
8 or means the Internal Revenue Code of 1986 as amended to and
9 including January 1, 2014.

10 ~~i.~~ 14. "Nonbusiness income" means all income other than
11 business income.

12 15. The word "paid", for the purposes of the deductions
13 under this division, means "paid or accrued" or "paid or
14 incurred", and the terms "paid or incurred" and "paid or
15 accrued" shall be construed according to the method of
16 accounting upon the basis of which the net income is computed
17 under this division. The term "received", for the purpose
18 of the computation of net income under this division, means
19 "received or accrued", and the term "received or accrued" shall
20 be construed according to the method of accounting upon the
21 basis of which the net income is computed under this division.

22 16. "Resident" applies only to individuals and includes, for
23 the purpose of determining liability to the tax imposed by this
24 division upon or with reference to the income of any tax year,
25 any individual domiciled in the state, and any other individual
26 who maintains a permanent place of abode within the state.

27 ~~j.~~ 17. "State" means any state of the United States, the
28 District of Columbia, the Commonwealth of Puerto Rico, any
29 territory or possession of the United States, and any foreign
30 country or political subdivision thereof.

31 18. a. "Tax year" means the calendar year, or the fiscal
32 year ending during such calendar year, upon the basis of which
33 the net income is computed under this division.

34 b. If a taxpayer has made the election provided by section
35 441, subsection "f", of the Internal Revenue Code, "tax year"

1 means the annual period so elected, varying from fifty-two to
2 fifty-three weeks.

3 c. If the effective date or the applicability of a provision
4 of this division is expressed in terms of a tax year beginning,
5 including, or ending with reference to a specified date which
6 is the first or last day of a month, a tax year described in
7 paragraph "a" of this subsection shall be treated as beginning
8 with the first day of the calendar month beginning nearest to
9 the first day of the tax year or as ending with the last day of
10 the calendar month ending nearest to the last day of the tax
11 year.

12 ~~k.~~ 19. "Taxable in another state". For purposes of
13 allocation and apportionment of income under this division, a
14 taxpayer is "taxable in another state" if:

15 (1) a. In that state the taxpayer is subject to a net
16 income tax, a franchise tax measured by net income, a franchise
17 tax for the privilege of doing business, or a corporate stock
18 tax; or

19 (2) b. That state has jurisdiction to subject the taxpayer
20 to a net income tax regardless of whether, in fact, the state
21 does or does not.

22 ~~l.~~ 20. "Unitary business" means a business carried on
23 partly within and partly without a state where the portion
24 of the business carried on within the state depends on or
25 contributes to the business outside the state.

26 ~~2. The words, terms, and phrases defined in section 422.4,~~
27 ~~subsections 4 to 6, 8, 9, 13, and 15 to 17, when used in this~~
28 ~~division, shall have the meanings ascribed to them in said~~
29 ~~section except where the context clearly indicates a different~~
30 ~~meaning.~~

31 Sec. 61. Section 422.33, subsection 28, Code 2015, is
32 amended to read as follows:

33 28. The taxes imposed under this division shall be reduced
34 by a school tuition organization tax credit allowed under
35 section 422.11S. ~~The maximum amount of tax credits that~~

1 ~~may be approved under this subsection for a tax year equals~~
2 ~~twenty-five percent of the school tuition organization's tax~~
3 ~~credits that may be approved pursuant to section 422.115,~~
4 ~~subsection 8, for a tax year.~~

5 Sec. 62. Section 422D.1, Code 2015, is amended to read as
6 follows:

7 **422D.1 Authorization — election — imposition and repeal —**
8 **use of revenues.**

9 1. *a.* A county board of supervisors may offer for voter
10 approval ~~any of the following taxes or a combination of the~~
11 ~~following taxes:~~

12 ~~(1) Local option income surtax.~~

13 ~~(2) An an ad valorem property tax.~~

14 *b.* Revenues generated from ~~these taxes~~ the ad valorem
15 property tax shall be used for emergency medical services as
16 provided in section 422D.6.

17 2. *a.* ~~The taxes~~ property tax for emergency medical services
18 shall only be imposed after an election at which a majority of
19 those voting on the question of imposing the tax ~~or combination~~
20 ~~of taxes specified in subsection 1, paragraph "a", subparagraph~~
21 ~~(1) or (2),~~ vote in favor of the question. However, the tax
22 ~~or combination of taxes specified in subsection 1~~ shall not
23 be imposed on property within or on residents of a benefited
24 emergency medical services district under chapter 357F. The
25 question of imposing the tax ~~or combination of the taxes~~ may
26 be submitted at the regular city election, a special election,
27 or the general election. Notice of the question shall be
28 provided by publication at least sixty days before the time of
29 the election and shall identify the tax ~~or combination of taxes~~
30 and the levy rate ~~or rates, as applicable.~~ If a majority of
31 those voting on the question approve the imposition of the tax
32 ~~or combination of taxes,~~ the tax ~~or combination of taxes~~ shall
33 be imposed as follows:

34 ~~(1) A local option income surtax shall be imposed for tax~~
35 ~~years beginning on or after January 1 of the fiscal year in~~

1 ~~which the favorable election was held.~~

2 ~~(2) An ad valorem property tax shall be imposed levied for~~
3 ~~the fiscal year in which the election was held.~~

4 ~~b. Before a county imposes an income surtax as specified~~
5 ~~in subsection 1, paragraph "a", subparagraph (1), a benefited~~
6 ~~emergency medical services district in the county shall be~~
7 ~~dissolved, and the county shall be liable for the outstanding~~
8 ~~obligations of the benefited district. If the benefited~~
9 ~~district extends into more than one county, the county imposing~~
10 ~~the income surtax shall be liable for only that portion of the~~
11 ~~obligations relating to the portion of the benefited district~~
12 ~~in the county.~~

13 3. Revenues received by the county from the ~~taxes imposed~~
14 tax levied under this chapter shall be deposited into the
15 emergency medical services trust fund created pursuant to
16 section 422D.6 and shall be used as provided in that section.

17 4. Any tax ~~or combination of taxes imposed~~ levied under this
18 chapter shall be for a maximum period of five years.

19 Sec. 63. Section 425.23, subsection 4, paragraph b, Code
20 2015, is amended to read as follows:

21 b. The annual adjustment factor for the 1998 base year is
22 one hundred percent. For each subsequent base year, the annual
23 adjustment factor equals the annual inflation factor for the
24 calendar year, in which the base year begins, as computed in
25 section 422.4 ~~for purposes of the individual income tax, Code~~
26 2015.

27 Sec. 64. Section 476.20, subsection 3, paragraph b, Code
28 2015, is amended to read as follows:

29 b. A qualified applicant for the low income home energy
30 assistance program or the weatherization assistance program who
31 is also a ~~"head of household", as defined in section 422.4,~~
32 ~~subsection 7,~~ head of household shall be promptly certified
33 by the local agency administering the applicant's program to
34 the applicant's public utility that the resident is a ~~"head~~
35 ~~of household" as defined in section 422.4, subsection 7,~~ head

1 of household and is qualified for the low income home energy
2 assistance program or weatherization assistance program.
3 Notwithstanding subsection 1, a public utility furnishing gas
4 or electricity shall not disconnect service from November 1
5 through April 1 to a residence which has a resident that has
6 been certified under this paragraph. For purposes of this
7 paragraph, "head of household" has the same meaning as provided
8 by the Internal Revenue Code.

9 Sec. 65. Section 476B.2, Code 2015, is amended to read as
10 follows:

11 **476B.2 General rule.**

12 The owner of a qualified facility shall, for each
13 kilowatt-hour of qualified electricity that the owner sells
14 or uses for on-site consumption during the ten-year period
15 beginning on the date the qualified facility was originally
16 placed in service, be allowed a wind energy production tax
17 credit to the extent provided in this chapter against the tax
18 imposed in chapter 422, divisions ~~II~~, ~~III~~, and V, and chapter
19 432, and may claim a refund of tax imposed by chapter 423 or
20 437A for any tax year within the time period set forth in
21 section 423.47 or 437A.14.

22 Sec. 66. Section 476B.6, subsection 5, paragraphs a, b, and
23 c, Code 2015, are amended to read as follows:

24 a. If the tax credit application is filed by a partnership,
25 limited liability company, S corporation, estate, trust, or
26 other reporting entity all of the income of which is taxed
27 directly to its equity holders or beneficiaries, for the taxes
28 imposed under chapter 422, division ~~II~~ ~~or~~ III, the tax credit
29 certificate shall be issued directly to equity holders or
30 beneficiaries of the applicant in proportion to their pro rata
31 share of the income of such entity. The applicant shall, in
32 the application made under this section, identify its equity
33 holders or beneficiaries, and the percentage of such entity's
34 income that is allocable to each equity holder or beneficiary.

35 b. If the tax credit applicant under this section is

1 eligible to receive renewable electricity production credits
2 authorized under section 45 of the Internal Revenue Code,
3 as amended, and the tax credit applicant is a partnership,
4 limited liability company, S corporation, estate, trust, or
5 other reporting entity all of the income of which is taxed
6 directly to its equity holders or beneficiaries, for the taxes
7 imposed under chapter 422, division ~~II~~ III, the tax credit
8 certificate may be issued to a partner if the business is a
9 partnership, a shareholder if the business is an S corporation,
10 or a member if the business is a limited liability company
11 in the amounts designated by the eligible partnership, S
12 corporation, or limited liability company. In absence of
13 such designation, the credits under this section shall flow
14 through to the partners, shareholders, or members in accordance
15 with their pro rata share of the income of the entity. The
16 applicant shall, in the application made under this section,
17 identify the holders or beneficiaries that are to receive the
18 tax credit certificates and the percentage of the tax credit
19 that is allocable to each holder or beneficiary.

20 *c.* If an applicant under this section is eligible to
21 receive renewable electricity production credits authorized
22 under section 45 of the Internal Revenue Code, as amended, and
23 the tax credit applicant is a partnership, limited liability
24 company, S corporation, estate, trust, or other reporting
25 entity all of the income of which is taxed directly to its
26 equity holders or beneficiaries, for the taxes imposed under
27 chapter 422, division ~~II~~ III, the tax credit certificates
28 and all future rights to the tax credit in this section may be
29 distributed to an equity holder or beneficiary as a liquidating
30 distribution or portion thereof, of a holder or beneficiary's
31 interest in the applicant entity. The applicant shall, in the
32 application made under this section, designate the percentage
33 of the tax credit allocable to the liquidating equity holder
34 or beneficiary that is to receive the current and future tax
35 credit certificates under this section.

1 Sec. 67. Section 476B.7, subsection 2, Code 2015, is amended
2 to read as follows:

3 2. The tax credit shall be freely transferable. The
4 transferee may use the amount of the tax credit transferred
5 against the taxes imposed under chapter 422, divisions ~~II~~, III,
6 and V, and chapter 432 for any tax year the original transferor
7 could have claimed the tax credit. The transferee may claim
8 a refund under chapter 423 or 437A for any tax year within
9 the time period set forth in section 423.47 or 437A.14 for
10 which the original transferor could have claimed a refund.
11 Any consideration received for the transfer of the tax credit
12 shall not be included as income under chapter 422, divisions
13 ~~II~~, III, and V. Any consideration paid for the transfer of the
14 tax credit shall not be deducted from income under chapter 422,
15 divisions ~~II~~, III, and V.

16 Sec. 68. Section 476C.4, subsection 4, paragraph a, Code
17 2015, is amended to read as follows:

18 a. If the tax credit application is filed by a partnership,
19 limited liability company, S corporation, estate, trust, or
20 other reporting entity all of the income of which is taxed
21 directly to its equity holders or beneficiaries, for the taxes
22 imposed under chapter 422, division ~~II~~ or III, the tax credit
23 certificate shall be issued directly to equity holders or
24 beneficiaries of the applicant in proportion to their pro rata
25 share of the income of such entity. The applicant shall, in
26 the application made under this section, identify its equity
27 holders or beneficiaries, and the percentage of such entity's
28 income that is allocable to each equity holder or beneficiary.

29 Sec. 69. Section 476C.4, subsection 4, paragraph b,
30 subparagraph (1), Code 2015, is amended to read as follows:

31 (1) If the tax credit applicant under this section is
32 eligible to receive renewable electricity production credits
33 authorized under section 45 of the Internal Revenue Code,
34 as amended, and the tax credit applicant is a partnership,
35 limited liability company, S corporation, estate, trust, or

1 other reporting entity all of the income of which is taxed
2 directly to its equity holders or beneficiaries, for the taxes
3 imposed under chapter 422, division ~~II~~ III, the tax credit
4 certificate may be issued to a partner if the business is a
5 partnership, a shareholder if the business is an S corporation,
6 or a member if the business is a limited liability company
7 in the amounts designated by the eligible partnership, S
8 corporation, or limited liability company. In absence of such
9 designation, the credits under this section shall flow through
10 to the partners, shareholders, or members in accordance with
11 their pro rata share of the income of the entity.

12 Sec. 70. Section 476C.4, subsection 4, paragraph c,
13 subparagraph (1), Code 2015, is amended to read as follows:

14 (1) If an applicant under this section is eligible to
15 receive renewable electricity production credits authorized
16 under section 45 of the Internal Revenue Code, as amended, and
17 the tax credit applicant is a partnership, limited liability
18 company, S corporation, estate, trust, or other reporting
19 entity all of the income of which is taxed directly to its
20 equity holders or beneficiaries, for the taxes imposed under
21 chapter 422, division ~~II~~ III, the tax credit certificates
22 and all future rights to the tax credit in this section may be
23 distributed to an equity holder or beneficiary as a liquidating
24 distribution or portion thereof, of a holder or beneficiary's
25 interest in the applicant entity.

26 Sec. 71. Section 476C.6, subsection 1, paragraph b, Code
27 2015, is amended to read as follows:

28 *b.* The transferee may use the amount of the tax credit
29 transferred against taxes imposed under chapter 422, divisions
30 ~~II~~ III, and V, and chapter 432 for any tax year the original
31 transferor could have claimed the tax credit. The transferee
32 may claim a refund under chapter 423 or 437A for any tax
33 year within the time period set forth in section 423.47 or
34 437A.14 for which the original transferor could have claimed
35 the refund. Any consideration received for the transfer of

1 the tax credit shall not be included as income under chapter
2 422, divisions ~~II~~, ~~III~~, and V. Any consideration paid for the
3 transfer of the tax credit shall not be deducted from income
4 under chapter 422, divisions ~~II~~, ~~III~~, and V.

5 Sec. 72. Section 483A.1A, subsection 10, paragraph e, Code
6 2015, is amended to read as follows:

7 e. Is a member of the armed forces of the United States
8 who is serving on active duty, and claims residency in this
9 state, ~~and has filed a state individual income tax return~~
10 ~~as a resident pursuant to chapter 422, division II, for the~~
11 ~~preceding tax year~~, or is stationed in this state.

12 Sec. 73. REPEAL. Sections 68A.601, 190B.105, 257.22
13 through 257.26, 298.14, 422.4 through 422.11F, 422.11H through
14 422.11J, 422.11M, 422.11Q, 422.11R, 422.11V, 422.11W, 422.11Z,
15 422.12, 422.12A through 422.12E, 422.12H, 422.12J through
16 422.14, 422.16, 422.17, 422.19, 422.23, 422.27, 422.31, 422D.2
17 through 422D.4, Code 2015, are repealed.

18 Sec. 74. CORRESPONDING AMENDMENTS LEGISLATION. Additional
19 legislation is required to fully implement this division of
20 this Act. The director of the department of revenue shall, in
21 compliance with section 2.16, prepare draft legislation for
22 submission to the legislative services agency, as necessary, to
23 implement the repeal of the individual income tax under this
24 division of this Act and under other provisions of law.

25 Sec. 75. APPLICABILITY. This division of this Act applies
26 to tax years beginning on or after January 1, 2016.

27 DIVISION II

28 SALES AND USE TAX

29 Sec. 76. Section 423.2, subsection 1, unnumbered paragraph
30 1, Code 2015, is amended to read as follows:

31 There is imposed a tax of ~~six~~ eleven percent upon the sales
32 price of all sales of tangible personal property, consisting
33 of goods, wares, or merchandise, sold at retail in the state
34 to consumers or users except as otherwise provided in this
35 subchapter.

1 Sec. 77. Section 423.2, subsections 2 and 3, Code 2015, are
2 amended to read as follows:

3 2. A tax of ~~six~~ eleven percent is imposed upon the sales
4 price of the sale or furnishing of gas, electricity, water,
5 heat, pay television service, and communication service,
6 including the sales price from such sales by any municipal
7 corporation or joint water utility furnishing gas, electricity,
8 water, heat, pay television service, and communication service
9 to the public in its proprietary capacity, except as otherwise
10 provided in this subchapter, when sold at retail in the state
11 to consumers or users.

12 3. A tax of ~~six~~ eleven percent is imposed upon the
13 sales price of all sales of tickets or admissions to places
14 of amusement, fairs, and athletic events except those of
15 elementary and secondary educational institutions. A tax
16 of ~~six~~ eleven percent is imposed on the sales price of an
17 entry fee or like charge imposed solely for the privilege of
18 participating in an activity at a place of amusement, fair, or
19 athletic event unless the sales price of tickets or admissions
20 charges for observing the same activity are taxable under this
21 subchapter. A tax of ~~six~~ eleven percent is imposed upon that
22 part of private club membership fees or charges paid for the
23 privilege of participating in any athletic sports provided club
24 members.

25 Sec. 78. Section 423.2, subsection 4, paragraph a, Code
26 2015, is amended to read as follows:

27 a. A tax of ~~six~~ eleven percent is imposed upon the sales
28 price derived from the operation of all forms of amusement
29 devices and games of skill, games of chance, raffles, and bingo
30 games as defined in chapter 99B, and card game tournaments
31 conducted under section 99B.7B, that are operated or conducted
32 within the state, the tax to be collected from the operator in
33 the same manner as for the collection of taxes upon the sales
34 price of tickets or admission as provided in this section.
35 Nothing in this subsection shall legalize any games of skill

1 or chance or slot-operated devices which are now prohibited by
2 law.

3 Sec. 79. Section 423.2, subsection 5, Code 2015, is amended
4 to read as follows:

5 5. There is imposed a tax of ~~six~~ eleven percent upon the
6 sales price from the furnishing of services as defined in
7 section 423.1.

8 Sec. 80. Section 423.2, subsection 7, paragraph a,
9 unnumbered paragraph 1, Code 2015, is amended to read as
10 follows:

11 A tax of ~~six~~ eleven percent is imposed upon the sales
12 price from the sales, furnishing, or service of solid waste
13 collection and disposal service.

14 Sec. 81. Section 423.2, subsection 8, paragraph a, Code
15 2015, is amended to read as follows:

16 a. A tax of ~~six~~ eleven percent is imposed on the sales
17 price from sales of bundled transactions. For the purposes of
18 this subsection, a "*bundled transaction*" is the retail sale of
19 two or more distinct and identifiable products, except real
20 property and services to real property, which are sold for one
21 nonitemized price. A "*bundled transaction*" does not include
22 the sale of any products in which the sales price varies, or
23 is negotiable, based on the selection by the purchaser of the
24 products included in the transaction.

25 Sec. 82. Section 423.2, subsection 9, Code 2015, is amended
26 to read as follows:

27 9. A tax of ~~six~~ eleven percent is imposed upon the
28 sales price from any mobile telecommunications service,
29 including all paging services, that this state is allowed
30 to tax pursuant to the provisions of the federal Mobile
31 Telecommunications Sourcing Act, Pub. L. No. 106-252, 4 U.S.C.
32 §116 et seq. For purposes of this subsection, taxes on mobile
33 telecommunications service, as defined under the federal Mobile
34 Telecommunications Sourcing Act that are deemed to be provided
35 by the customer's home service provider, shall be paid to

1 the taxing jurisdiction whose territorial limits encompass
2 the customer's place of primary use, regardless of where the
3 mobile telecommunications service originates, terminates,
4 or passes through and shall in all other respects be taxed
5 in conformity with the federal Mobile Telecommunications
6 Sourcing Act. All other provisions of the federal Mobile
7 Telecommunications Sourcing Act are adopted by the state of
8 Iowa and incorporated into this subsection by reference. With
9 respect to mobile telecommunications service under the federal
10 Mobile Telecommunications Sourcing Act, the director shall, if
11 requested, enter into agreements consistent with the provisions
12 of the federal Act.

13 Sec. 83. Section 423.2, subsection 11, paragraph b,
14 subparagraph (3), Code 2015, is amended to read as follows:

15 (3) Transfer ~~one-sixth~~ seventeen and two thousand five
16 hundred forty-eight ten-thousandths percent of the remaining
17 revenues to the secure an advanced vision for education fund
18 created in section 423F.2. This subparagraph (3) is repealed
19 December 31, 2029.

20 Sec. 84. Section 423.2, subsection 13, Code 2015, is amended
21 to read as follows:

22 13. The sales tax rate of ~~six~~ eleven percent is reduced to
23 five ten percent on January 1, 2030.

24 Sec. 85. Section 423.5, subsection 1, unnumbered paragraph
25 1, Code 2015, is amended to read as follows:

26 Except as provided in paragraph "c", an excise tax at the
27 rate of ~~six~~ eleven percent of the purchase price or installed
28 purchase price is imposed on the following:

29 Sec. 86. Section 423.5, subsection 5, Code 2015, is amended
30 to read as follows:

31 5. The use tax rate of ~~six~~ eleven percent is reduced to five
32 ten percent on January 1, 2030.

33 Sec. 87. Section 423.43, subsection 1, paragraph b, Code
34 2015, is amended to read as follows:

35 b. Subsequent to the deposit into the general fund of

1 the state and after the transfer of such revenues collected
2 under chapter 423B, the department shall transfer ~~one-sixth~~
3 one-eleventh of such remaining revenues to the secure an
4 advanced vision for education fund created in section 423F.2.
5 This paragraph is repealed December 31, 2029.

6 Sec. 88. EFFECTIVE DATE. This division of this Act takes
7 effect January 1, 2016.

8

EXPLANATION

9 The inclusion of this explanation does not constitute agreement with
10 the explanation's substance by the members of the general assembly.

11 This bill relates to state taxes by repealing the individual
12 income tax and increasing the state sales and use tax rates.

13 Division I repeals the individual income tax and makes
14 numerous conforming changes to the Code to remove references
15 to the individual income tax and to update or move provisions
16 of the individual income tax that are also applicable by
17 reference to the corporate income tax and the franchise tax.
18 The division also repeals the emergency medical services income
19 surtax in Code chapter 422D, the instructional support income
20 surtax in Code section 257.21, the educational improvement
21 income surtax in Code section 257.29, and the physical plant
22 and equipment income surtax in Code section 298.2, because
23 income surtax revenues will no longer be generated without the
24 state individual income tax.

25 The division provides that additional legislation is
26 required to fully implement the division and requires the
27 director of the department of revenue to prepare draft
28 legislation in compliance with Code section 2.16 for submission
29 to the legislative services agency to implement the repeal of
30 the individual income tax.

31 The division takes effect on January 1, 2016, and applies to
32 tax years beginning on or after that date.

33 Division II increases the state sales and use tax rate to
34 11 percent from 6 percent. By operation of law as provided in
35 Article VII, section 10 of the Iowa Constitution, a portion

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1 (0.375 percent) of the state sales tax generated and collected
2 from the rate increase provided in this division will be
3 transferred to the natural resources and outdoor recreation
4 trust fund in Code section 461.31. The division amends the
5 transfer of state sales tax revenues to the secure an advanced
6 vision for education fund (SAVE) in Code section 423F.2 from
7 one-sixth (approximately 16.66 percent) of the revenues to
8 17.2548 percent of the revenues to ensure that SAVE receives
9 approximately the same proportion of the total sales tax
10 revenue as it did prior to the sales tax rate increase provided
11 in the division.

12 The division takes effect on January 1, 2016.